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**THE DIRECTOR OF CENTRAL INTELLIGENCE**

WASHINGTON, D. C. 20505

National Intelligence Officers

26 December 1979  
NFAC 6973-79

MEMORANDUM FOR: Director of Central Intelligence  
Deputy Director of Central Intelligence

VIA: Deputy Director for National Foreign Assessment  
National Intelligence Officer for Warning

FROM: Joe L. Zaring  
National Intelligence Officer for Western Europe

SUBJECT: Monthly Warning Assessment: Western Europe

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EUROPE-IRAN

1. European governments have continued to give diplomatic and rhetorical support to the US on the issue of the hostages held in Iran. But we are not optimistic that they will offer more than very cautious and limited practical cooperation, for example, on economic measures, against Iran. They will certainly insist that any financial measures be taken by a number of countries acting together.

2. While the Europeans are willing to defend the role of the dollar, an interest they share with the US, they generally do not believe economic sanctions against Iran will help secure the release of the hostages. Such measures, in their view, would probably disrupt global financial relationships and oil trade without producing any benefit in return. The Europeans hope instead that they can maintain relations with Iran that will prove beneficial in the long run, once the country's revolutionary fervor runs its course.

TNF AFTERMATH

3. The NATO "consensus" on TNF modernization could well unravel before new weapons are ready for deployment. Belgian and Dutch reservations on the decision may not be overcome, especially if those governments remain fragile and if the Soviets appear forthcoming on arms control in Europe. In turn, Italy's commitment to modernization could be undermined, especially under a different government in which the PCI may play a larger role. Some

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West German officials fear they will face the isolation on deployment they most hoped to avoid.

#### EUROPEAN COMMUNITY

4. The Community faces a year of tension and potential crisis on several fronts. So far the UK shows few signs of compromise in its bid for relief from a disproportionate net contribution to the EC budget. The European Parliament, by rejecting the Council's proposed 1980 budget, has in effect staked a claim to part of the Council's decision-making power on agricultural policy. Although the EP may in the end accept a compromise on the budget issue, reform of the common agricultural policy remains urgent in view of both its rapidly rising costs and the impact of Greek accession in 1981. Quarrels within the Community could spill over into intra-European tensions on other issues as well.

#### TURKEY

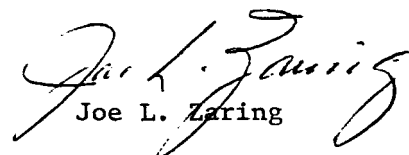
5. Despite Demirel's intention to crack down, violence -- especially from the left -- is growing, and it may be targetted against Americans more often.

6. The Turks are pressing for completion of the new Defense Cooperation Agreement by 9 January but this is clearly unrealistic. In particular the question remains of whether US bases in Turkey will be available for non-NATO purposes. Demirel may be waiting for a sign of what the US is willing to offer on the economic side.

7. Under pressure from the IMF, Demirel has committed Turkey to take tough economic measures. It is not clear, however, that he will be strong enough politically to sustain the austerity policies required, although he can initiate them now. The Turks may not fully understand their own economic dilemmas.

#### ITALY

8. Cossiga's government could well fall before the Christian Democratic Party congress, scheduled for January, or soon thereafter. Should it do so, this might pave the way for a replacement in which the PCI would have a larger role, though probably not participation in the cabinet. The Socialists' disarray seems likely to eliminate the "Socialist alternative" for the time being. Moreover, the PCI seems to be the only major party free of scandal in the recent oil contract with Saudi Arabia.

  
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